

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CASTLETON TOWNSHIP	County BARRY
Audit Date 3/31/04	Opinion Date 9/7/04	Date Accountant Report Submitted to State: 10/22/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Foote and Lloyd, C.P.A.s			
Street Address Two West Michigan, Suite 210	City Battle Creek	State MI	ZIP 49017-3621
Accountant Signature		Date 10/22/04	

**CASTLETON TOWNSHIP
BARRY COUNTY, MICHIGAN**

**REPORT OF AUDIT
AS OF
MARCH 31, 2004**

**FOOTE AND LLOYD
CERTIFIED PUBLIC ACCOUNTANTS
BATTLE CREEK, MICHIGAN**

**CASTLETON TOWNSHIP
BARRY COUNTY, MICHIGAN**

Population 3,475 (2000)

Justin Cooley	Supervisor
Lorna Wilson	Clerk
Loretta Pixley	Treasurer
David DeMond	Trustee
Patricia Baker-Smith	Trustee

For Fiscal Year Ended

March 31, 2004

CASTLETON TOWNSHIP

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CASTLETON TOWNSHIP

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Foote and Lloyd

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CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Castleton Township
Barry County, Michigan

We have audited the accompanying general-purpose financial statements of Castleton Township, Barry County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and including those prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Castleton Township, Barry County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining, individual fund, and the individual account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of Castleton Township, Barry County, Michigan. Such information has been subjected to the auditing procedures applied in the examination of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
September 7, 2004

CASTLETON TOWNSHIP
Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

In a condensed format, the table below shows net assets as of fiscal year-end:

	Governmental Activities	
	3-31-04	3-31-03
Current Assets	574,354	539,357
Noncurrent Assets	<u>139,519</u>	<u>113,260</u>
Total Assets	713,873	652,617
Other Liabilities	<u>1,074</u>	<u>858</u>
Total Liabilities	1,074	858
Net Assets		
Invested in Capital Assets – Net of Debt	139,519	113,260
Restricted for Capital Projects	281,463	266,646
Unrestricted	<u>291,817</u>	<u>271,853</u>
Total Net Assets	<u>712,799</u>	<u>651,759</u>

The following table shows the changes of the net assets:

	Governmental Activities	
	3-31-04	3-31-03
Program Revenues		
Charges for Services	1,350	263
General Revenues		
Property Taxes	106,568	102,606
State-Shared Revenues	135,809	147,585
Unrestricted Investment Earnings	8,362	12,331
Miscellaneous	6,735	5,330
Transfers	<u>(30,000)</u>	<u>(31,000)</u>
Total Revenues	228,824	237,115

CASTLETON TOWNSHIP
Management's Discussion and Analysis
Page 2

	Governmental Activities	
	3-31-04	3-31-03
Program Expenses		
General Government	103,606	89,294
Public Safety	2,026	7,666
Public Works	57,820	77,292
Health and Welfare	<u>4,332</u>	<u>0</u>
Total Expenses	<u>167,784</u>	<u>174,252</u>
Change in Net Assets	<u>61,040</u>	<u>62,863</u>

Our local unit's financial position has deteriorated during the past year due to cuts in state revenue sharing funds and the township's building an addition on to our ambulance station.

There were no significant changes in the tax base during the year, even though we have seen new home construction increase. There were no tax abatements or commercial growth.

The township has two (2) restricted funds; fire-voted and ambulance-voted. The monies in these funds can only be used to buy new equipment or vehicles or for new buildings or additions.

The fire voted fund experienced changes in the fund balance due to the purchase of new Scott Air Packs for the fire department.

The variances between the original budget and the final budget was due largely to the ambulance station addition. Variances between the final budget and the actual results were due largely to reduction of state revenue sharing revenue.

At this time, we think that these factors should not impact future services.

The township has no long-term debts and is not considering any capital expenditures.

Based upon known facts, our unit will probably not have a significant change in its financial position.

We have no infrastructure.

Separately issued financial statements for the Fire Board and Ambulance Board are available for inspection at the Castleton Township office.

CASTLETON TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and Cash Equivalents	562,141	-	562,141	44,866
Receivables (Net)	12,213	-	12,213	-
Prepaid Expenses	-	-	-	2,919
Capital Assets-Net	<u>139,519</u>	<u>-</u>	<u>139,519</u>	<u>311,934</u>
Total Assets	713,873	-	713,873	359,719
Liabilities				
Accounts Payable	<u>1,074</u>	<u>-</u>	<u>1,074</u>	<u>419</u>
Total Liabilities	1,074	-	1,074	419
Net Assets				
Invested in Capital Assets				
Net of Related Debt	139,519	-	139,519	311,934
Restricted for				
Capital Projects	281,463	-	281,463	-
Unrestricted	<u>291,817</u>	<u>-</u>	<u>291,817</u>	<u>47,366</u>
Total Net Assets	<u>712,799</u>	<u>-</u>	<u>712,799</u>	<u>359,300</u>

The Notes to Financial Statements are an integral part of this statement.

CASTLETON TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED MARCH 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government								
General Government	103,606	1,350	-	-	(102,256)	-	(102,256)	-
Public Safety	2,026	-	-	-	(2,026)	-	(2,026)	-
Public Works	57,820	-	-	-	(57,820)	-	(57,820)	-
Health and Welfare	4,332	-	-	-	(4,332)	-	(4,332)	-
Total Governmental Activities	167,784	1,350	-	-	(166,434)	-	(166,434)	-
Business Type-Activities								
None	-	-	-	-	-	-	-	-
Total Primary Government	167,784	1,350	-	-	(166,434)	-	(166,434)	-
Component Units								
Area-Wide Fire Board	82,064	750	43,450	-	-	-	-	(37,864)
Area-Wide Ambulance Board	141,585	98,983	23,566	-	-	-	-	(19,036)
Total Component Units	223,649	99,733	67,016	-	-	-	-	(56,900)
General Revenues								
Property Taxes					106,568	-	106,568	
State-Shared Revenues					135,809	-	135,809	
Unrestricted Investment Earnings					8,362	-	8,362	
Miscellaneous					6,735	-	6,735	
Transfers					(30,000)	-	(30,000)	30,000
Total General Revenues--Special Items and Transfers					227,474	-	227,474	30,000
Change in Net Assets					61,040	-	61,040	(26,900)
Net Assets - Beginning					651,759	-	651,759	386,200
Net Assets - Ending					712,799	-	712,799	359,300

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
MARCH 31, 2004**

	<u>General Fund</u>	<u>Fire Voted Fund</u>	<u>Ambulance Voted Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash and Cash Equivalents	286,029	191,585	84,527	-	562,141
Receivables - Net	<u>6,862</u>	<u>4,014</u>	<u>1,337</u>	<u>-</u>	<u>12,213</u>
Total Assets	292,891	195,599	85,864	-	574,354
Liabilities					
Accounts Payable	<u>1,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074</u>
Total Liabilities	1,074	-	-	-	1,074
Fund Balances					
Reserved for					
Capital Projects		195,599	85,864	-	281,463
Unreserved	<u>291,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>291,817</u>
Total Fund Balances	<u>291,817</u>	<u>195,599</u>	<u>85,864</u>	<u>-</u>	<u>573,280</u>

Amounts reported for governmental activities in the statement of net assets are different because:

*Capital assets used in governmental activities are not financial resources and are not reported in the funds.	<u>139,519</u>
Net Assets of Governmental Activities	<u><u>712,799</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCE
FISCAL YEAR ENDED MARCH 31, 2004**

	General Fund	Fire Voted Fund	Ambulance Voted Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	60,378	34,649	11,541	-	106,568
State-Shared Revenues	135,809			-	135,809
Charges for Services	1,350			-	1,350
Rentals	990			-	990
Interest	3,818	3,099	1,445	-	8,362
Other Revenue	<u>5,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,745</u>
Total Revenues	208,090	37,748	12,986	-	258,824
Expenditures					
Current					
General Government	98,306		-	-	98,306
Public Safety		32,433	-	-	32,433
Public Works	57,820		-	-	57,820
Health and Welfare	<u>2,000</u>	<u>-</u>	<u>3,484</u>	<u>-</u>	<u>5,484</u>
Total Expenditures	158,126	32,433	3,484	-	194,043
Excess of Revenues Over (Under) Expenditures Other Financing Sources (Uses)	49,964	5,315	9,502	-	64,781
Transfers In	-	-	-	-	-
Transfers (Out)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	19,964	5,315	9,502	-	34,781
Fund Balance - Beginning of Year	<u>271,853</u>	<u>190,284</u>	<u>76,362</u>	<u>-</u>	<u>538,499</u>
Fund Balance - End of Year	<u><u>291,817</u></u>	<u><u>195,599</u></u>	<u><u>85,864</u></u>	<u><u>-</u></u>	<u>573,280</u>

Amounts reported for governmental activities in the statement of activities are different because:

*Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

26,259

Change in Net Assets of Governmental Activities

61,040

The Notes to Financial Statements are an integral part of this statement.

CASTLETON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF NET ASSETS
MARCH 31, 2004

	Cemetery Perpetual Care Funds	Agency Fund Type (Property Tax Collection Fund)
Assets		
Cash and Cash Equivalents	<u>4,374</u>	<u>1,274</u>
Total Assets	4,374	1,274
Liabilities		
Due to Other Governmental Units	<u>-</u>	<u>1,274</u>
Total Liabilities	<u>-</u>	<u>1,274</u>
Net Assets	<u><u>4,374</u></u>	

The Notes to Financial Statements are an integral part of this statement.

CASTLETON TOWNSHP
FIDUCIARY FUNDS - STATEMENT OF CHANGES IN NET ASSETS
FISCAL YEAR ENDED MARCH 31, 2004

	<u>Cemetery Perpetual Care Funds</u>
Additions	
Lot Sales	<u>450</u>
Total Sales	450
Investment Income	
Interest	<u>129</u>
Total Investment Income	<u>129</u>
Total Additions	579
Deductions	
None	<u>-</u>
Change in Net Assets	579
Net Assets - Beginning of Year	<u>3,795</u>
Net Assets - End of Year	<u>4,374</u>

The Notes to Financial Statements are an integral part of this statement.

CASTLETON TOWNSHIP
STATEMENT OF NET ASSETS - COMPONENT UNITS
MARCH 31, 2004

	Area-Wide Fire <u>Board</u>	Area-Wide Ambulance <u>Board</u>	Total Component <u>Units</u>
Assets			
Cash and Cash Equivalents	30,454	14,412	44,866
Prepaid Expenses	1,946	973	2,919
Capital Assets - Net	<u>193,972</u>	<u>117,962</u>	<u>311,934</u>
Total Assets	226,372	133,347	359,719
Liabilities			
Accounts Payable	<u>158</u>	<u>261</u>	<u>419</u>
Total Liabilities	158	261	419
Net Assets			
Invested in Capital Assets-Net of Related Debt	193,972	117,962	311,934
Restricted for			
Capital Projects	-	-	-
Other Purposes	-	-	-
Unrestricted	<u>32,242</u>	<u>15,124</u>	<u>47,366</u>
Total Net Assets	<u>226,214</u>	<u>133,086</u>	<u>359,300</u>

The Notes to Financial Statements are an integral part of this statement.

CASTLETON TOWNSHIP
STATEMENT OF ACTIVITIES - COMPONENT UNITS
FISCAL YEAR ENDED MARCH 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>(Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Fire Board</u>	<u>Ambulance Board</u>	<u>Total</u>
Fire and Ambulance Boards							
Public Safety	82,064	750	43,450	-	(37,864)	-	(37,864)
Health and Welfare	<u>141,585</u>	<u>98,983</u>	<u>23,566</u>	-	-	(19,036)	(19,036)
Total Fire and Ambulance Boards	<u>223,649</u>	<u>99,733</u>	<u>67,016</u>	-	<u>(37,864)</u>	<u>(19,036)</u>	<u>(56,900)</u>
⇒ Total Primary Government	<u>223,649</u>	<u>99,733</u>	<u>67,016</u>	-	(37,864)	(19,036)	(56,900)
General Revenues and Transfers							
Transfers					<u>20,000</u>	<u>10,000</u>	<u>30,000</u>
Total General Revenues and Transfers					<u>20,000</u>	<u>10,000</u>	<u>30,000</u>
Change in Net Assets					(17,864)	(9,036)	(26,900)
Net Assets - Beginning					<u>244,078</u>	<u>142,122</u>	<u>386,200</u>
Net Assets - Ending					<u>226,214</u>	<u>133,086</u>	<u>359,300</u>

The Notes to Financial Statements are an integral part of this statement.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. Reporting Entity

Castleton Township was organized in 1842 and covers an area of 36 square miles. The Township is governed by an elected five-member board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Units - There are no blended component units.

Discretely Presented Component Units - The following component units are reported with the "component units" column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the Local Governmental Unit, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit's financial statements to be misleading or incomplete.

The area-wide Fire Board and the area-wide Ambulance Board are joint ventures supported by Castleton Township, Maple Grove Township and the Village of Nashville. The members of their boards are appointed by the boards and council of the three local governments, and each of the three governments supplies the two Boards with appropriations for operations. The two joint ventures provide fire and ambulance services for the area governed by the three previously mentioned governments.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township ad valorem tax is levied and collectible on December 1, it is the Township's policy to recognize revenue from the current tax levy in the subsequent year OR the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the Township totaled \$48,383,643, on which ad valorem taxes levied consisted of .9406 mills for the Township operating purposes, .9550 mills for fire and ambulance services. These amounts are recognized in the respective financial statements as taxes receivables—current or as tax revenue.

All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

There are also two Special Revenue Funds named Fire Voted and Ambulance Voted which primarily collect and distribute tax revenues for the fire and ambulance activities.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and any business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. Summer school taxes are levied July 1 and payable by September 15. All other property taxes are levied December 1 and payable by February 14. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed and they are added to the county tax rolls..

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimates useful life in excess of two years. Such assets are recorded at historical cost or estimates historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	30 to 50 years
Building Improvements	15 to 30 years
Vehicles	10 to 25 years
Office Furniture	5 to 15 years
Computer Equipment	3 to 7 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The differences between the government-wide and fund financial statements are reconciled as shown at the bottom of the fund financial statements.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township for these budgetary funds were adopted to the line item level.

During the year ended March 31, 2004, the Township incurred expenditures in no budgetary funds which were in excess of the amounts appropriated.

NOTE 4 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	562,141	0	5,648	567,789	44,866
Investments	0	0	0	0	0
Restricted Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>562,141</u>	<u>0</u>	<u>5,648</u>	<u>567,789</u>	<u>44,866</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	567,789	44,866
Investments in Securities, Mutual Funds and Similar Vehicles	0	0
Petty Cash and Cash on Hand	<u>0</u>	<u>0</u>
Total	<u>567,789</u>	<u>44,866</u>

The bank balance of the primary government's deposits is \$567,789, of which \$552,773 is covered by federal depository insurance and \$0 is collateralized. The component units' deposits had a bank balance of \$44,866 of which \$44,866 was covered by federal depository insurance and \$0 was collateralized.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

NOTE 5 – RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 5 – RECEIVABLES (Continued)

	<u>General Fund</u>	<u>Fire Voted Fund</u>	<u>Ambulance Voted Fund</u>	<u>Non-Major and Other Funds</u>	<u>Total</u>
Taxes Receivable	<u>6,862</u>	<u>4,014</u>	<u>1,337</u>	<u>0</u>	<u>12,213</u>
Gross Receivables	6,862	4,014	1,337	0	12,213
Less: Allowance for Uncollectibles	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Receivables	<u><u>6,862</u></u>	<u><u>4,014</u></u>	<u><u>1,337</u></u>	<u><u>0</u></u>	<u><u>12,213</u></u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes	<u>0</u>	<u>0</u>
Total	<u><u>0</u></u>	<u><u>0</u></u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	25,000	0	0	25,000
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	25,000	0	0	25,000
Capital Assets Being Depreciated				
Buildings	116,298	0	0	116,298
Improvements Other Than Buildings	0	0	0	0
Machinery and Equipment	10,914	33,067	0	43,981
Infrastructure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	127,212	33,067	0	160,279

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 6 - CAPITAL ASSETS (Continued)

Less: Accumulated Depreciate for				
Buildings	34,495	4,210	0	38,705
Improvements Other Than Buildings	0	0	0	0
Machinery and Equipment	4,457	2,599	0	7,056
Infrastructure	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>38,952</u>	<u>6,809</u>	<u>0</u>	<u>45,761</u>
Net Capital Assets Being Depreciated	<u>88,260</u>	<u>26,258</u>	<u>0</u>	<u>114,518</u>
Governmental Activities Capital Total				
Capital Assets – Net of Depreciation	<u>113,260</u>	<u>26,258</u>	<u>0</u>	<u>139,518</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	<u>6,809</u>
Total Governmental Activities	<u>6,809</u>
Discretely Presented Component Units	
Area-Wide Fire Board	14,541
Area-Wide Ambulance Board	<u>9,114</u>
Total Discretely Presented Component Units	<u>23,655</u>

NOTE 7 - RISK MANAGEMENT

The Township's insurance for Workers' Compensation, General Liability and Property Loss and Fleet insurance is carried by an insurance company. The Township is not self-insured other than for minimal deductibles. No known material claims are outstanding. Insurance coverage is substantially the same as in previous years.

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The Township has a defined contribution pension plan for the elected officials. Contributions for the past three years are:

3-31-02	\$4,400
3-31-03	4,400
3-31-04	5,768

CASTLETON TOWNSHIP
Notes to Financial Statements
March 31, 2004

NOTE 8 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

NOTE 9 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Required Supplemental Information

**CASTLETON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (MAJOR SPECIAL REVENUE FUNDS)
FISCAL YEAR ENDED MARCH 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Beginning of Year Fund Balance	538,499	538,499	538,499	-
Resources (Inflows)				
Property Taxes	104,550	104,550	106,568	2,018
State-Shared Revenues	125,000	125,000	135,809	10,809
Interest	8,200	8,200	8,362	162
Rentals	400	400	990	590
Charges for Services	200	200	1,350	1,150
Other	<u>2,000</u>	<u>2,000</u>	<u>5,745</u>	<u>3,745</u>
Amounts Available for Appropriation	778,849	778,849	797,323	18,474
Charges to Appropriations (Outflows)				
General Government				
Township Board	26,430	27,548	22,959	4,589
Board of Review	1,660	1,660	818	842
Supervisor	7,060	7,080	6,547	533
Treasurer	17,050	17,076	16,303	773
Assessing	17,750	17,750	15,657	2,093
Clerk	20,850	21,150	16,705	4,445
Elections	2,800	2,800	87	2,713
Cemetery	11,100	12,243	9,302	2,941
Buildings and Grounds	13,200	13,390	9,928	3,462
Public Safety				
Fire	40,100	62,600	52,433	10,167
Health and Welfare				
EMS	12,600	16,130	15,484	646
Public Works				
Street Maintenance	84,500	84,500	52,820	31,680
Sanitation	6,200	6,200	5,000	1,200
Recreation and Culture				
Library	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total Charges to Appropriations	<u>262,300</u>	<u>291,127</u>	<u>224,043</u>	<u>67,084</u>
Budgetary Fund Balance - End of Year	<u><u>516,549</u></u>	<u><u>487,722</u></u>	<u><u>573,280</u></u>	<u><u>85,558</u></u>

The Notes to Financial Statements are an integral part of this statement.

Additional Information

**CASTLETON TOWNSHIP
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
TRUST & AGENCY FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash & Receivables	294	1,252,684	1,251,704	1,274
Liabilities				
Taxes Payable	294	1,274	294	1,274

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
DETAILED SCHEDULE OF REVENUES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

GENERAL FUND

GENERAL GOVERNMENT

Local Taxes:		
Roll	45,501	
Administration Fees	13,718	
Trailer Tax	<u>1,159</u>	
Total		60,378
Intergovernmental:		
Sales Tax		135,809
Interest		3,818
Other		<u>8,085</u>
Total Revenues		<u><u>208,090</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
DETAILED SCHEDULE OF EXPENDITURES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004**

GENERAL FUND

GENERAL GOVERNMENT

Township Board

Trustees	3,250	
Legal & Audit	3,111	
Printing & Publishing	361	
Dues	1,078	
Education	-	
Insurance	3,614	
FICA Tax	3,873	
Supplies	480	
Other	1,249	
Pension	5,768	
Small Equipment	<u>175</u>	
Total	22,959	22,959

Supervisor

Salary	6,160	
Education	87	
Mileage	-	
Other	120	
Small Equipment	<u>180</u>	
Total	6,547	6,547

Elections

Wages	-	
Supplies & Other	<u>87</u>	
Total	87	87

Assessor

Salary	14,500	
Office Expense	1,020	
Education	137	
Mileage	-	
Other	-	
Small Equipment	<u>-</u>	
Total	15,657	15,657

The Notes to Financial Statements are an integral part of this statement.

DETAILED SCHEDULE OF EXPENDITURES
GENERAL FUND
Page 2

Clerk

Salary	14,000	
Office Expense	545	
Education	965	
Mileage	39	
Other	81	
Small Equipment	<u>1,075</u>	
Total	16,705	16,705

Treasurer

Salary	12,105	
Office Expense	1,569	
Education	73	
Mileage	76	
Other	10	
Small Equipment	<u>2,470</u>	
Total	16,303	16,303

Township Hall

Utilities	4,016	
Supplies	131	
Building Maintenance	5,290	
Small Equipment	<u>491</u>	
Total	9,928	9,928

Board of Review

Per Diem	720	
Education	-	
Printing	98	
Other	<u>-</u>	
Total	818	818

Cemetery

Contract Services	6,600	
Other	<u>2,702</u>	
Total	9,302	9,302

PUBLIC WORKS

Roads	<u>52,820</u>	
Total	52,820	52,820

The Notes to Financial Statements are an integral part of this statement.

DETAILED SCHEDULE OF EXPENDITURES
GENERAL FUND
Page 3

Sanitation		
Recycling	<u>5,000</u>	
Total	5,000	5,000
HEALTH AND WELFARE		
Contract Services	<u>2,000</u>	
	2,000	2,000
TRANSFERS		
Fire Board	20,000	
Ambulance Board	<u>10,000</u>	
Total	30,000	<u>30,000</u>
Total Expenditures & Transfers		<u><u>188,126</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CASTLETON TOWNSHIP
RECONCILIATION OF 2003 TAX ROLL**

	Roll	Collections	Returned Delinquent
Tax Collections			
Barry County:			
Operating	378,962	335,032	43,930
State Education Tax	241,919	218,340	23,579
State Road Drains	507	507	-
Intermediate School Districts:			
Barry	14,108	12,336	1,772
Eaton	150,098	132,354	17,744
Ionia	15,147	14,103	1,044
School Districts:			
Maple Valley	370,033	322,180	47,853
Hastings	67,349	58,645	8,704
Lakewood	20,900	19,527	1,373
Library Board:	23,235	20,542	2,693
Township:			
Operating	45,501	40,229	5,272
Fire Voted	34,649	30,633	4,016
Ambulance Voted	11,541	10,203	1,338
Administration Fee	<u>13,718</u>	<u>12,128</u>	<u>1,590</u>
Total Taxes	1,387,667	1,226,759	160,908
Other:			
Prior Year Taxes		17,651	
Trailer Tax		6,951	
Interest		<u>343</u>	
Total Collections		<u><u>1,251,704</u></u>	
Remittances			
Barry County		559,919	
Barry ISD		12,336	
Eaton ISD		132,370	
Ionia ISD		14,103	
Maple Valley Schools		322,273	
Hastings Schools		58,627	
Lakewood Schools		19,527	
Castleton Township		108,924	
Library		<u>23,625</u>	
Total Remittances		<u><u>1,251,704</u></u>	

The Notes to Financial Statements are an integral part of this statement.

Foote and Lloyd
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CERTIFIED PUBLIC ACCOUNTANTS

*FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

To the Supervisor and Board
Castleton Township
Barry County, Michigan

This letter is being written as part of the audit for the year ended March 31, 2004, of the financial records of Castleton Township, Barry County, Michigan. We have forwarded to the state of Michigan their required copies of the audit report. At the State's suggestion this year, we forwarded the audit report to them in electronic format on a CD disk. Your Annual Fiscal Report is enclosed and should be signed and filed with the state right away.

BUDGETS: As disclosed in notes to the financial statements, no funds had an unfavorable budget variance. We commend you for doing much better in amending the budget as necessary prior to over expenditures.

We wish to thank you for the opportunity of serving you again this year and for the cooperation and assistance we received from all contacted during the audit. Please feel free to call us if you have any questions or need assistance.

Foote and Lloyd

CERTIFIED PUBLIC ACCOUNTANTS

Battle Creek, Michigan
September 7, 2004